

CONSOLIDATIONS AND MERGERS OF DOMESTIC TELEGRAPH CARRIERS

JANUARY 18, 1943.—Ordered to be printed

MR. MCFARLAND, from the Committee on Interstate Commerce,
submitted the following

R E P O R T

[To accompany S. 158]

Senate bill 158 is identically the same as Senate bill 2598 passed by the Senate of the United States in the last session of Congress (77th) except on page 6, line 23, the following words are added: "and will be in accordance with the existing contractual rights of the carriers".

This phrase merely clarifies the provisions of paragraph 4 and makes it conform to the provisions of paragraphs 1 and 2 above.

Senate bill 2598 of the Seventy-seventh Congress, after passing the Senate, was favorably reported by the House Interstate and Foreign Commerce Committee (Rept. No. 2664), but was not acted upon in the House because of lack of a quorum. The report (No. 1490) of the Senate Interstate Commerce Committee on Senate bill 2598 is fully applicable to Senate bill 158; and for this reason the report (No. 1490) on Senate bill 2598 of the Seventy-seventh Congress is incorporated herein.

[S. Rept. No. 1490, 77th Cong., 2d sess.]

The Senate Committee on Interstate Commerce, to whom was referred the bill (S. 2445) to amend the Communications Act of 1934, as amended, to permit consolidations or mergers of telegraph operations, and for other purposes, having considered the same, report in lieu thereof S. 2598, to amend the Communications Act of 1934, as amended, to permit consolidations and mergers of domestic telegraph carriers and for other purposes, with the recommendation that it do pass, without amendment.

The bill, S. 2598, in the opinion of the committee, represents a sound, realistic and carefully considered approach to the solution of a grave problem in the communications industry of this Nation which confronts the people and the Congress of the United States. This problem has been magnified and aggravated by the fact that the Nation is now at war; adequate communications facilities and the maintenance of a strong, cohesive, and far-flung communications system are as vital to the successful prosecution of the war as is the production of guns, airplanes, tanks, and ships.

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One important unit of the domestic telegraph industry is in difficult financial straits; the entire domestic telegraph industry is feeling seriously the effect of competition from such alternate means of communications as the telephone, the radio, and the air mail; the absolute necessity of meeting urgent military requirements for essential communications facilities is making increasingly difficult the supplying of critical materials to competing carriers; the general economic situation among telegraph industry employees, aggravated by a fear of loss of employment, is not conducive to efficient wartime operation of the plant; the long-time prospect for the telegraph industry is beclouded by the need for future extensive installations of the high-speed equipment so that more adequate service may be rendered areas and communities which do not presently enjoy such service. It is obvious to the committee, therefore, that some action must be taken forthwith to remedy a situation which no longer brooks temporization or delay.

The bill S. 2598, as amended and reported, would permit the voluntary consolidation or merger of domestic telegraph carriers only. The Committee on Interstate Commerce holds no brief for consolidations or mergers as such; on the contrary it is of the opinion that, generally speaking, the vigor and strength of the American economic system stems from the maintenance of privately owned and operated businesses in vigorous competition, one with another. But in the telegraph industry, as in the railroad industry, the committee and the Congress is dealing with major industrial enterprises sharply affecting the public interest. The approach to the problems of such enterprises must be always from the standpoint of what will benefit the public welfare. It was from that standpoint that the Committee on Interstate Commerce recommended, and the Congress enacted, the Transportation Act of 1939. It is from this same standpoint that the committee recommends the enactment of the telegraph merger bill as being soundly in the public interest.

Moreover, the committee calls attention to the fact that there will be no monopoly in the domestic communications field if carriers merge under the provisions of this bill. The prospective merged domestic carrier would face, as its component units now face, sharp and effective competition from such widely used means of communication as the telephone, the air mail, and point-to-point radio (which has been temporarily closed for the period of the war). It is the competition from these alternate means of communication which has taken large revenues from the domestic commercial wire-telegraph units during the last decade. So long as the telephone and the air mail operate as independent, functioning means of speedy communication, no danger of a monopolistic operation of communication facilities can exist. The bill S. 2598 makes sure that healthy competition will remain in the domestic communications field.

The problems of the telegraph industry in the United States are manifold and of long standing. Long before the Congress enacted the Federal Communications Act of 1934 (Public Law 416, 73d Cong.), which provided for the transfer to the new Commission of certain regulatory functions over the telephone and telegraph formerly exercised by the Interstate Commerce Commission, executive agencies, administrative commissions, and congressional committees had given study to the problems and made recommendations.

In the summer of 1933 President Roosevelt suggested to the then Secretary of Commerce, Daniel Roper that a special interdepartmental committee make a study of the communication problems. The House Committee on Interstate and Foreign Commerce already was working on a comprehensive study of the entire communications industry under the authority of House Resolutions 59 and 572, Seventy-second Congress, sponsored by the then chairman of the House Committee, Hon. Sam Rayburn. A voluminous report covering findings and recommendations of the House committee was filed in 1934 (H. Rept. 1273, 73d Cong.). This report discussed the tendency toward and the question of the advisability of mergers in the communications field.

Formal Senate attention to the problems of the telegraph industry began in 1939. On March 8, 1939, the chairman of the Senate Committee on Interstate Commerce (Mr. Wheeler) introduced Senate Resolution 95 (76th Cong.), which proposed a study of the telegraph industry. That resolution recited the importance of the telegraph industry and called attention to the "precarious financial and economic state" of the industry.

On May 22 and 23, 1939, a subcommittee of the Senate Committee on Interstate Commerce conducted hearings to determine whether the investigation proposed by Senate Resolution 95 should be recommended to the Senate. Nineteen witnesses were heard, including representatives of the Federal Communications Commission; the Labor, War, and Navy Departments; officers of corporations engaged in the telegraph industry; and 12 persons representing the American

Communications Association (Congress of Industrial Organizations), a labor organization holding a collective-bargaining agreement with the Postal Telegraph Co. and deeply concerned with the possibility that the difficult financial situation of their employer might lead to wholesale loss of employment for workers in that company.

On June 1, 1939, in Senate Report 529 of the Seventy-sixth Congress, the committee recommended that Senate Resolution 95 be passed by the Senate. On June 19, 1939, the Senate adopted Senate Resolution 95, and appropriated \$5,000 to carry out a study of the current situation in the industry. The committee experienced difficulty and delay in securing necessary data as a basis for hearings and preparation of a report, and the authority for further study was subsequently extended by Senate Resolution 268 of the Seventy-sixth Congress, and an additional \$5,000 was appropriated.

In response to a request from the committee, the Federal Communications Commission submitted, on December 23, 1939, a report on the domestic telegraph industry with a recommendation that Congress enact legislation removing the present prohibition against mergers between telegraph companies. Subsequently, on February 21, 1940, the Federal Communications Commission submitted a report on the international telegraph industry, likewise recommending legislation which would permit consolidation of radiotelegraph and cable carriers. A report covering wage studies in the telegraph industry, prepared by the Wage and Hour Division of the Department of Labor, also was submitted to the committee.

On May 19, 1941, a subcommittee of the Senate Committee on Interstate Commerce began public hearings pursuant to Senate Resolution 95. These hearings continued through May 29. Forty-nine witnesses, representing the defense forces, Government agencies, telegraph and telephone companies, and numerous labor organizations were heard at great length during that time. These hearings, covering 238 printed pages, comprise part 1 of the Study of the Telegraph Industry. Part 2 of the Study of the Telegraph Industry contains the domestic and international reports of the Federal Communications Commission as exhibits XXI and XXII, respectively; the Wage-Hour Division study as exhibit XXIII; and an extensive body of charts, tables, and maps which, this committee believes, made the two volumes the most complete current compilation of factual data and authoritative opinion with respect to the telegraph industry and its problems which has been assembled in many years.

Five months later, on October 28, 1941, the committee submitted its formal report (S. Rept. 769, 77th Cong., 1st sess.) to the Senate. In this report, entitled "Study of the Telegraph Industry," the committee recited briefly the background situation in the industry, the problems facing the industry, the employees in the industry, the Government in its then problem of marshaling an effective national defense, and the general public which uses the communications facilities. The committee then recommended that the Congress enact legislation making possible the voluntary and permissive mergers or consolidations of telegraph operations but urging that such mergers be restricted so that domestic carriers would not be permitted to merge with international carriers, thus preventing the formation of a huge, over-all single telegraph-cable-radiotelegraph combine.

Following submission of this report, members of the subcommittee of the Committee on Interstate Commerce who had been dealing with this problem for 3 years, held a series of individual conferences during the next 6 months with representatives of various labor organizations in the industry, with presidents and other principal officials of the Western Union and Postal companies, and with representatives of the War and Navy Departments, the Federal Communications Commission, and the National Labor Relations Board. These conferences were designed to bring out current viewpoints of all parties in an effort to aid subcommittee members in drafting legislation which would most nearly fulfill the opinions of all interested parties and at the same time meet the ever-more-pressing problems of the industry.

On April 9, 1942, Senators McFarland and White, members of the subcommittee, jointly introduced S. 2598. In proposing this legislation, both Senators made brief statements explaining their objectives. It will be pertinent to cite here significant extracts from their statements.

Senator McFarland said:

"* * * The proposed legislation is the outgrowth of a study of this subject made by the Interstate Commerce Committee of the Senate under Senate resolution 95 of the Seventy-sixth Congress, which provided for 'a thorough and complete study of the telegraph industry, including the economic conditions of the

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telegraph carriers, their relations to corporations engaged in other forms of communications, and the tendencies toward consolidation and a monopoly in such industry.

"As the result of a study made in pursuance of this resolution, the Committee on Interstate Commerce made its report on the 28th day of October 1941, which report contained the following recommendations:

"1. That the Congress approve an amendment to the Communications Act of 1934, permitting—

"(a) Domestic American telegraph carriers to merge; and

"(b) International American telegraph carriers to merge; but with

"(c) A proviso that there should be no merger between or common control of domestic and international communications carriers but permitting a merger of domestic carriers into one entity and international carriers into a second and entirely separate and distinct entity; and

"(d) The legislation should define "domestic" and "international" carriers and shall not prevent the inclusion of all existing operations of any domestic carrier, which may be engaged partially in international telegraph communications, into a merged domestic enterprise, and shall empower the Federal Communications Commission eventually to require the merged domestic carrier to restrict itself solely to domestic telegraph operations if found to be in the public interest; and

"(e) There should be no requirement that the domestic or international mergers be carried out simultaneously or at all; and

"(f) The legislation should enjoin that the responsible Government regulatory agencies require that the merged company or companies be of the simplest possible financial structure; and

"(g) The legislation should make specific provision for the fullest reasonable protection of all the workers in any unit of the industry which is consolidated, including a formula of dismissal pay and pension payments, to the end that no worker shall be put in a worse condition as a result of merger, and due care should be exercised to protect fully the pension rights and pension payments and group insurance rights of any employee who may be affected by merger, and that the Federal Communications Commission be given specific authority to study and make rules and regulations covering the careful fulfillment of these labor-protection requirements as a condition precedent to merger; and

"(h) That the legislation also should require in addition to these labor-protection requirements, specific proper safeguards for the interests of the using and general public and the industry as a whole or individual units thereof; and

"(i) The legislation should grant the Federal Communications Commission appropriate regulatory powers with respect to the fair and equitable treatment of traffic between the domestic and international carriers; and

"(j) The legislation should make special provision that in the event wire telegraph and leased wire telegraph facilities of the Bell System become a part of the merged domestic carrier that due care be exercised that there should be no interference or impairment of national defense communications needs; and

"(k) The legislation should require specifically that in the event of either domestic or international mergers, there shall be no reduction in telegraph circuit facilities for the armed services or other Government agencies during the present emergency; and

"(l) The legislation should incorporate the existing provisions of the Communications Act of 1934 (relating to radio licenses, sec. 310a) so that the merged company or companies be 80 percent owned by American nationals.

"2. That the Congress should give consideration to modification of the provision of the 1866 Post Roads Act which permits a discrimination between the rate paid for telegraphic transmittal of Government messages and the rate paid by private users of telegraph.

"These recommendations were based upon the findings of the committee, one of the most urgent of which was the finding that the Postal Telegraph Co.—third largest carrier—was in imminent financial danger. It was found that by September 1, 1941, less than \$750,000 remained of a \$5,000,000 working-capital loan made by the Reconstruction Finance Corporation. Since that time the Postal Telegraph Co. has borrowed an additional one and a half million dollars from the Reconstruction Finance Corporation, which sum, we are informed, is largely used up at the present time. While the Western Union Telegraph Co., the largest land-line carrier, is presently operating at a profit, it has experienced great losses in recent years. Like the Postal, it has lost a large portion of its revenue to the

Government subsidized air mail, to the telegraph facilities of the American Telephone & Telegraph Co., and the radio point-to-point communication facilities. It also has a substantial debt structure, which may prove dangerous to it in the event another major business depression occurs.

"I will not, at this time, attempt to state all the findings made by the committee, but merely wish to call the Senate's attention to the urgent necessity for immediate legislation upon this subject. It was the unanimous opinion of the Interstate Commerce Committee that it would be disastrous to allow any of the communication systems to fail, and particularly to fail at this time when all possible facilities are needed. * * *

"We personally felt that one of the most important provisions in the bill should be the protection of employees. We have, therefore, gone further in this bill to protect the man who has become trained in the telegraph profession from losing his position and seniority than any legislation ever enacted by Congress. We have guaranteed to the person who was employed on March 1 of last year, which is a little over a year ago, a position with the new company with a salary not less than he will be receiving at the time of the consolidation. We have also provided for the protection of the employees' rights and benefits under the retirement acts of the different companies. The protection afforded employees under the bill is so far reaching as to guarantee to the employees that all of them who have spent any appreciable time in their profession may continue their employment without financial loss.

"Should one or more of the companies fail at the present time, employees who have spent 15 or 20 years with such company would lose their positions at a time in life when it would be almost impossible for them to reestablish themselves in any other profession.

"As I stated before, the Senator from Maine [Mr. White] and I do not contend that the proposed legislation is perfect, nor do we present it as necessarily containing all the views of either of us, but it is introduced as request legislation to carry out the views of the committee as expressed in their recommendation, with the hope that any deficiencies which may appear after public hearings may be remedied."

Senator White stated:

"* * * Mr. President, I wish to say a brief word in more detailed explanation of some of the provisions of the bill. If written into law, the bill will legalize the consolidation of domestic telegraph companies, and a consolidation of international telegraph companies. It does not, however, permit the consolidation of domestic and international companies. Consolidations in either field will be voluntary and not mandatory. Any voluntary merger, if determined upon by present competing companies, must in various respects conform to statutory prescriptions, and must have the approval of the Federal Communications Commission.

"The general cause for this permitted action is the unsatisfactory condition of the whole domestic telegraph industry. The immediate occasion for it is the desperate financial plight of the Postal Co. It is accepted as certain by those familiar with the situation that our two principal domestic telegraph carriers must work out a plan of merger which will merit the approval of our regulatory body, the Federal Communications Commission, or there must speedily come the liquidation of the Postal Co. and its disappearance as a competitive factor in communications.

"A further alternative, Mr. President, might be the taking over and the operation of the Postal System by the Federal Government. This would in turn present to us most serious problems. It would result in direct governmental competition with the Western Union, the present largest unit in the domestic wire communication field, and competition, direct or indirect, by the Government with other methods and means of domestic communication.

"It might conceivably result in the assumption by the Government of the entire burden of domestic wire and point-to-point radio communication. I infinitely prefer to this possibility the unification of the domestic wire companies now operating into a consolidated company within the law and under the watchful eye and the broad regulatory powers of our Communications Commission * * *."

Formal public hearings on the bill, S. 2598, were held on April 23, 24, 29, 30, May 5, 7, 8, and 13, 1942, during which 51 witnesses testified before a subcommittee of the committee. Again, as was the case during the hearings which preceded the filing of the committee's report under authority of Senate Resolution 95, Seventy-sixth Congress (S. Rept. 769, 77th Cong.), every witness called attention to the pressing problems of the industry, to the situation facing one carrier, Postal Telegraph, to the need for congressional or administrative action.

The War Department, represented by Brig. Gen. Frank E. Stoner, in charge of Army communications, and the Navy Department, represented by Rear Admiral Stanford C. Hooper, unreservedly recommended legislation which would permit domestic telegraph carriers to merge. Chairman James Lawrence Fly and Commissioner Clifford Durr of the Federal Communications Commission reiterated the position formerly taken by their agency that merger legislation was essential. All other witnesses—the representatives of labor unions in the industry, the presidents of the Western Union and Postal companies, principal officials of international telegraph carriers by cable and radio—all agreed that the status quo was an impossible situation. The subcommittee, after hearing the testimony of 51 witnesses, came to one obvious conclusion—the only way to bring about a strong, sound domestic communications carrier was to permit the merger of existing competitive enterprises in the domestic wire-telegraph field. It was clear from the testimony that the only alternative was Government subsidy of Postal Telegraph Co., the financially weaker carrier at the present time.

The committee is opposed to this subsidy. The question of Government subsidy of a private business is not one which would properly come before this committee for consideration, in any case. But your committee desires to point out that subsidization of private business is not the way to meet the financial and economic problems of industry in the United States under our system of Government. The exigencies of the war effort, it is true, have required large scale governmental monetary outlays to several types of industrial enterprises. Sometime, however, the war will end. Sometime, these subsidies will have to cease. The committee is strongly of the opinion that subsidy is not the way to build a financially sound, economically strong business enterprise designed to endure through peacetime conditions as well as wartime booms.

Secretary of Commerce Jesse Jones, who in his capacity as Chairman of the Reconstruction Finance Corporation has authorized loans totaling \$6,500,000 to Postal Telegraph, in his appearance before the committee not only personally endorsed the enactment of merger legislation but quoted President Roosevelt as being in favor of the principle of merger legislation.

Mr. Jones' statement before the committee is pertinent:

"I think consolidation of these two companies on some basis fair to employees and to stockholders alike is highly desirable.

"The telegraph business is as much a natural monopoly as is the telephone business or, you might say, the post office. Rates are fixed and governed by governmental authority, so that there can be no question of profiteering by reason of there being no actual competition in telegraph service.

"There is ample competition in communications as we all know from the telephone and the radio. So there appears no reasonable objection from that standpoint. That is from the standpoint of monopoly.

"Obviously the Postal Co. cannot survive without Government subsidy, and the fewer businesses the Government is called upon to subsidize the better off we will all be, I think.

"I have discussed this matter with the President. I asked him if I might quote him as being in favor of the principles involved in this bill; at least, the principles I have discussed here, and he said that I was so authorized.

"Furthermore, he made this suggestion to me, which he wanted me to bring to the subcommittee's attention as I understood him: That the legislation when enacted should make provision authorizing post offices to rent space, where available space existed, for telegraph offices; that there were hundreds, if not thousands, of places in the United States where it would be an economy to the Government and to the patron of the service as well as a convenience to the public to have telegraph offices installed in post offices.

"Naturally the President would want proper protection provided in the bill for any displaced labor; and that I am sure you gentlemen would insist upon, and that everybody wishes to have done.

"It would seem at this time that any displaced labor could within a reasonably short time find employment in other lines and while I would not advocate passage of the bill if it were going to work a hardship on labor, yet I feel that will not be the result."

· Apropos the President's suggestion regarding the leasing of post-office space for telegraph branch offices, the committee has been informed that the Post Office Department has experienced difficulty in working out suitable legislative language for such a provision. The Department would prefer that the Senate committee leave the matter in abeyance until Post Office officials can give further consideration to the problems involved. For that reason, no provision is made in the bill, S. 2598, for such leasing of post-office space for telegraph offices.

In reporting and recommending the enactment of the bill, S. 2598, the committee has amended the original bill in some particulars. Most of these changes were refinements in language and clarification of the objective sought. However, one major change was made. The committee decided to delete the provision, which would have permitted international telegraph carriers by cable or radio to merge into one separate and distinct international carrier.

A number of reasons dictated this change. Chief of these was the objection of the Navy Department, which is principally concerned with international communications, to legislative authorization for mergers or consolidations of American international telegraph carriers at this time, while the Nation is at war. While the committee is satisfied that international carriers would not, in any event, have been able at this time to take advantage of permissive merger privileges, it agreed with high Navy Department officials that the question of international mergers or consolidations might better be reexamined after the war, and a legislative decision be based on the facts at that time. The official communication from Secretary of the Navy Knox on this point is as follows:

JUNE 10, 1942.

MY DEAR SENATOR WHEELER: During the hearings before the subcommittee of the Committee on Interstate Commerce of the Senate on S. 2598, completed on May 13, 1942, testimony was presented by representatives of the War and Navy Departments. This testimony may have justified interpretation that the War and Navy Departments differ as to the possible effect upon the adequacy, security, and efficiency of military and naval communications of legislation which would authorize consolidation or merger of commercial communication facilities in the international field.

The vital interest of the War and Navy Departments in our commercial communication systems has, of course, long been recognized. This interest has been manifested in joint assumption by the military departments of the Government of a leading position in the development of these systems of communication along lines which would best prepare them readily to serve military and naval demands during war.

The availability of adequate and secure commercial communications in relation to our military and naval requirements has been a matter of deep concern and study by the military services for more than a quarter of a century. Specifically with reference to the pending legislation, the subject of consolidation or merger of our commercial communication facilities was considered by the Army and Navy Joint Board in 1934. At that time, among other conclusions, the Joint Board declared that, in case of proposed merger, the Army and the Navy should reserve judgment subject to a study as to the effect of any such proposed merger upon national defense.

With reference to the proposed consolidation or merger of communication facilities in the domestic field, the War and Navy Departments are in accord that present conditions demand congressional authorization to that end.

However, it is believed that a consolidation or merger of commercial communication facilities in the international field at this time would disturb worldwide communications and would consequently be detrimental to the war effort.

The Navy Department, therefore, recommends that those provisions of S. 2598 which would authorize consolidation or merger of commercial communication facilities in the international field be eliminated from the bill.

Sincerely yours,

FRANK KNOX.

The bill, S. 2598, as reported by the committee, would permit the voluntary merger or consolidation of only domestic telegraph carriers into a single domestic telegraph carrier. It would not permit the consolidation or merger of international telegraph carriers.

ANALYSIS OF S. 2598

Section 1 of the bill provides for the amendment of the Communications Act of 1934, as amended, by the addition of a new section, section 222. Subsection (a) thereof makes lawful, after application to and approval by the Federal Communications Commission, the consolidation or merger of domestic telegraph carriers.

Subsection (b) requires the parties to a proposed merger or consolidation to submit application and the Commission to hold public hearings thereon, giving notice of hearing and opportunity to be heard to the Governors of each State

in which property to be merged is situated, to the Attorney General, the Secretaries of War, Navy, and State Departments, and representatives of employees, and permits the Commission to enter an order approving merger if certain conditions are met.

Subsection (c) permits the merged or consolidated telegraph carrier to take over the domestic telegraph facilities of any carrier. Paragraph (2) provides for the divestment by the merged or consolidated domestic telegraph carrier of any international telegraph business it may carry on.

Subsection (d) prohibits approval of any consolidation or merger which would have more than one-fifth capital stock ownership by aliens, or representatives of aliens, or by foreign governments, or representatives of such governments.

Subsection (e) provides that the merged or consolidated telegraph carrier shall work out a formula for exchange of traffic with international telegraph carriers under certain equitable standards, and permits the Commission to prescribe such a formula only after the telegraph carriers fail to agree. Paragraph (2) provides an identical formula for the exchange of traffic with telegraph carriers in contiguous foreign countries (Canada, Newfoundland, and Mexico) whose telegraph traffic is regarded as domestic, rather than international telegraph traffic. Paragraph (3) provides that for the purpose of this subsection, domestic telegraph operations of an international telegraph carrier shall be considered a domestic carrier, and similarly, international telegraph operations of a domestic carrier shall be considered an international telegraph carrier. Paragraph (4) permits the Commission, upon complaint or on its own motion, to prescribe a telegraphic traffic interchange formula if, at any time, it finds that the formula followed is not equitable or in the public interest.

Subsection (f) provides that all employees of any carrier which becomes a party to consolidation or merger, who were employed on March 1, 1941, shall have full job protection at the compensation and rate of pay they received on the date of the approval of the consolidation or merger, with the added proviso that no employee may be assigned to work inconsistent with his training and experience. Paragraph (2) provides that if any employee who is not covered by paragraph (1) is discharged as a result of consolidation or merger, he shall receive severance pay equal to 4 weeks' pay multiplied by the number of years he was employed by any carrier which was a party to consolidation or merger; and no employee, regardless of the tenure of his employment, is to receive less than 4 weeks' pay as a severance allowance. Paragraph (3) requires that for 5 years following merger or consolidation, employees of any carrier which was a party to merger or consolidation shall have a preferential hiring status with the merged telegraph carrier for such positions as he is qualified to fill. Paragraph (4) provides for payment of traveling expenses, continuance of salary, and a bonus equal to 2 months' pay for any employee transferred from one community to another as a result of consolidation or merger. Paragraph (5) provides against impairment of any pension right or any other health, insurance, or death benefit as a result of merger or consolidation. Paragraph (6) protects the jobs of those employees who have entered or shall enter the military service since August 27, 1940. Paragraph (7) protects employees against discharge, or reduction in earnings, or furlough for 5 years after the consolidation or merger, or for 6 months before in anticipation of consolidation or merger. Paragraph (8) is the usual provision permitting discharge for incompetency or similar cause. Paragraph (9) protects employees' rights now guaranteed by any collective-bargaining agreements until such agreements are terminated, and extends to employees the remedies provided by the National Labor Relations Act. Paragraph (10) exempts employees who are paid more than \$5,000 per annum from the provisions of the subsections.

Subsection (g) defines the terms used in the bill.

Section 2 provides for the amendment of section 214 (a) of the Communications Act, making certain technical clarifying changes in the present act to conform with the new bill. Section 3, section 4, and section 5 make similar technical changes in sections 214 (b), 214 (c), and 214 (d), respectively, of the present act.

Section 6 provides for amendment of section 5266 of the Revised Statutes to give priority of transit for Government telegrams and permits the elimination of the present preferential rate granted for carriage of Government messages.

Section 7 is the usual separability clause.

The Committee on Interstate Commerce desire to call specific attention to the labor-protection provisions of the bill, S. 2598. The committee believe that they have recommended in this legislation the greatest degree of labor-protection

requirements yet proposed in any legislation. The committee believe that if this legislation is enacted promptly, and if the carriers do not delay taking action under its terms, these labor-protection requirements will work no hardship on the consolidated or merged carrier.

The Committee on Interstate Commerce, therefore, recommend the enactment of the bill, S. 2598, as amended.

The Committee on Interstate Commerce after consideration of Senate bill 158 found that even a greater necessity for the legislation exists now than at the time Senate bill 2598 passed the Senate during the Seventy-seventh Congress inasmuch as the indebtedness of the Postal Telegraph Co. to the Reconstruction Finance Corporation has now reached the sum of \$9,000,000.

The Senate Committee on Interstate Commerce therefore unanimously recommends the enactment of the bill S. 158 without amendment.

